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C O N F I D E N T I A L ALMATY 001583

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DEPT FOR SCA/CEN (J. MUDGE), ISN/CTR, ISN/NDF (R. SMITH)

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TAGS: [KNNP](#) [KSCA](#) [PARM](#) [PREL](#) [TBIO](#) [TSPL](#) [KZ](#)

SUBJECT: KAZAKHSTAN: PLANS FOR ALMATY BIOKOMBINAT EQUIPMENT
IN STEPNOGORSK

REF: A. STATE 13717

[B](#). 05 ALMATY 3915

[C](#). STATE 67375

[D](#). 2/6/06 PAULSON-CAMERON EMAIL

Classified By: Ambassador John Ordway, reasons 1.4 (e) and (h).

[1](#). (C) Summary: The private company that purchased the Biokombinat veterinary vaccine production facility is moving forward with construction of a smaller production facility in Stepnogorsk, in order to observe the terms of its privatization deal and avert potential threats to its real estate development project in Almaty. Progress in Stepnogorsk is slower than expected; the remaining fermenters are in secure storage in the building where production is planned, and a handful of employees has been hired. Although still hoping to sell the facility as soon as possible, the owners say that they cannot consider any offers before October 2006. The former director of Biokombinat, now charged with restarting production in Stepnogorsk, maintains that no virulent strains of any type will be used in the production or testing processes. End summary.

[2](#). (SBU) Following the February completion of the destruction of all remaining fermenters and associated equipment at the Almaty Biokombinat facility by ISN/NDF, POEC chief met on April 24 with Betta Star director Gaisha Kashikova and Oriental Real Estate financial director Eduard Dya to present the final report and discuss plans for the Stepnogorsk facility (Ref A). Kashikova expressed appreciation for the thorough report produced by Controlled Demolition Inc., as it will permit her to address any future concerns regarding the fate of the Biokombinat equipment not moved to Stepnogorsk.

Stepnogorsk Plans Unchanged

[3](#). (C) Kashikova said that plans to open a new, smaller veterinary vaccine production facility in Stepnogorsk had not changed; they were still planning to make the same vaccines as previously described (Ref B). Work on the new facility was going more slowly than expected, however; Betta Star was in the process of contracting for additional renovation work to begin in May. When asked by POEC chief whether Betta Star was in danger of violating the terms of its privatization agreement due to the lengthy pause in vaccine production, Kashikova explained that her firm had received official permission to temporarily halt production in connection with the move to Stepnogorsk. She said they had to show constant progress toward opening the new facility, however. She commented that the clause requiring a new owner to maintain the "profile" of a privatized firm was a standard provision of almost all privatization deals signed in Kazakhstan in the

1990s. Although she could not be sure, she believed it was included as a matter of course, rather than due to any GOK reliance on Biokombinat as a vaccine producer. Kashikova said that Kazakhstan had imported most of its vaccines from RosBioMedProm in Russia in recent years rather than purchasing them from Biokombinat.

¶4. (C) Kashikova claimed that there had already been inquiries from firms interested in buying the new Stepnogorsk facility, including RosBioMedProm. Betta Star could take no steps to sell the facility until October 2006, however, in order to respect the terms of the privatization deal. Kashikova said she was personally eager to sell off the Stepnogorsk facility so that she could focus solely on real estate development, but made it clear that Betta Star ran the risk of having the Biokombinat plot in Almaty seized if it did not fully meet its obligations to the GOK. "Better to spend the \$2 million we have to invest in Stepnogorsk than risk losing a \$60 million project in Almaty," Kashikova explained.

Security of Equipment, Strains

¶5. (C) When asked about the security of the equipment transferred to Stepnogorsk, Kashikova said that the fermenters were all stored in locked steel containers stacked several high, and placed door to door to prevent entry (Ref C). She said that the facility was guarded around the clock, and the handful of personnel that had already been hired were present during the day. Strains moved from Almaty as well as some purchased in anticipation of resuming production were being stored in a rented, alarmed refrigerated facility in Stepnogorsk. (Per Ref D, by the time fermenter destruction

began at the Biokombinat facility in Almaty there was no evidence of pathogens or similar materials in the abandoned building.)

Plans for Production and Testing of Vaccines

¶6. (C) Kashikova called in the former director of Biokombinat, Michail Ababkov, now working with Betta Star to start up the new production facility, to explain plans for production and testing. When asked about plans for anthrax vaccine in particular, he explained that the vaccines would be produced using an attenuated strain purchased from the Vladimir BioZavod in Russia. Testing would be done on live animals using "strains so weak, they pose no threat to humans unless injected intravenously in large quantities." He mentioned a type of strain developed by Tsenkovskiy that would be used in testing, and alluded to Pasteur's technique of subinoculation or subculture ("passazh" in Russian). No virulent strains would be used for any purpose in the facility, he emphasized. Underscoring the low risk of the planned production and testing methods, the former Biokombinat director said that it had been decided that employees of the new facility would not be required to have anthrax vaccinations.

¶7. (C) Kashikova stated that Betta Star was still open to the idea of selling the plant to the U.S. government once its legal obligations had been met. She said that she would be happy to meet with State Department experts on any future visit, and could arrange access to the Stepnogorsk facility.

Comment

¶8. (C) Comment: Kashikova has been truthful in her dealings with the State Department to date, and we have seen nothing so far to cast doubt on the description of how vaccine production and testing will be carried out at the new facility in Stepnogorsk. Post would be pleased to consult

further with Kashikova and/or her staff on any detailed questions regarding planned production and testing methods that the Department wishes to forward.

19. (C) Comment, continued: It appears unlikely that the USG could persuade or force Betta Star to abandon its planned Stepnogorsk veterinary vaccine production facility before October 2006. Kashikova appears to be under no pressure from the GOK to restart vaccine production quickly to meet domestic demand, and therefore has no incentive to spend additional money to move production elsewhere in Kazakhstan. Her primary motivation appears to be to observe the terms of the Biokombinat privatization deal scrupulously to avoid losing the valuable plot of land in Almaty, and to recoup as much of the Stepnogorsk investment as possible once Betta Star can sell the new facility. Anthrax vaccine was traditionally Biokombinat's highest seller due to frequent outbreaks in Kazakhstan; dropping plans to produce it would undoubtedly lower the potential resale value of the plant. Absent evidence that the production or testing methods will violate Kazakhstani laws or international agreements, post does not believe that the USG has sufficient leverage to persuade Betta Star to voluntarily drop anthrax vaccine production, or to persuade the GOK to intervene to limit Betta Star's activities. That said, post stands ready to work with the Department to clarify the situation further. End comment.
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